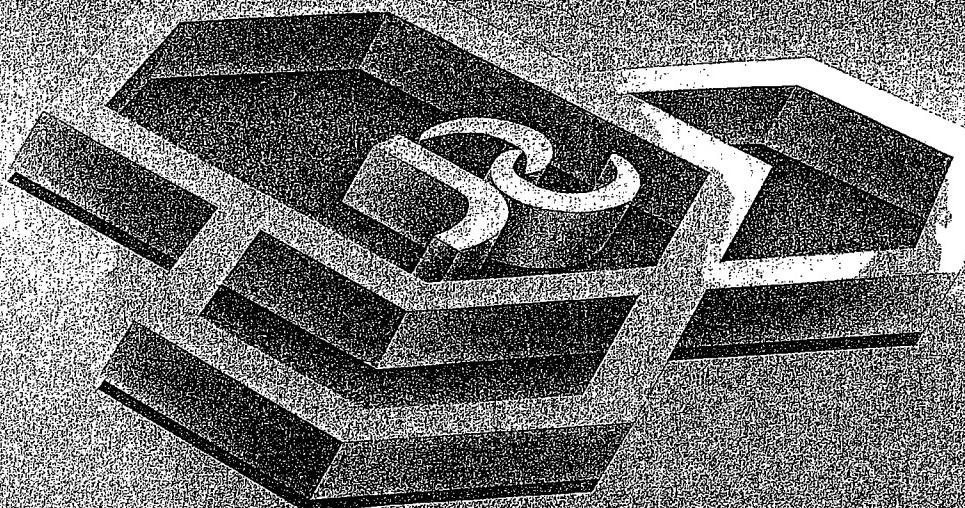


Exhibit 3

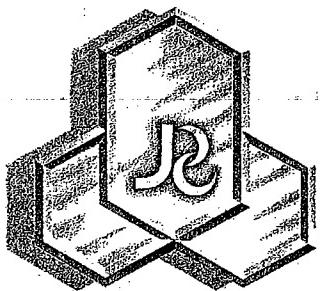
Part 1 of 9

AL RAJI BANKING & INVESTMENT CORPORATION



Annual Report (1408 & 1409) 1988

CENTRE FOR ARAB GULF STUDIES
UNIVERSITY OF EXETER



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**AL RAJHI BANKING AND INVESTMENT CORPORATION
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HEAD OFFICE: P.O. BOX 28 RIYADH 11411

TELEPHONE 4054244 FAX 4032969

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PAID UP CAPITAL: SR 750,000,000

COMMENCEMENT DATE:

1/8/1408 H CORRESPONDING TO 19/3/1988

C.R. : 1010000096



Obeikan Company for Printing & Publishing — Riyadh — Tel. 1493392

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MANAGEMENT
NO. 003 Fax. 4044631 Telephone 4043965MANAGEMENT
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BRANCH 317

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144

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52 - HURAIMLA 228

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FAX: 01 5260284

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TEL: 01 4657800

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FAX: 07 2247589

6 - JIZAN 119

TEL: 07 3221507

FAX: 07 3221507

7 - BEESHA 130

TEL: 07 6226167

FAX: 07 6226870

8 - BALGURASHI 156

TEL: 07 7224412

FAX: 07 7223044

9 - AL-BAHA 177

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10 - AL-NAMMAS 193

TEL: 07 2820051

FAX: 07 2820752

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TEL: 07 2550471

FAX: 07 2550592

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TEL: 07 3261108

FAX: 01 3261104

13 - ABU AREESH 225

TFL: 07 3250961

FAX: 07 3260042

14 - MAHAR 239

TEL: 07 2251748

FAX: 07 2251748

15 - SHAROURAH 241

TEL: 07 5321243

FAX: 07 5321242

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		28 - AL-HANAKIYAH 269 TEL. 04 8620132 FAX. 04 8620467
		29 - ST. 11 TEL. 04 4322867 FAX. 04 4320472
		30 - AL-WAJH 171 TEL. 04 4422884 FAX. 04 4421873
		31 - JED 2 - I TEL. 04 4632946 FAX. 04 4633030
		32 - AL-ILLA 208 TEL. 04 8840363 FAX. 04 8840359
		33 - DOMAT-AL-JANDAL TEL. 04 4222324 FAX. 04 4222328
		34 - BADR 230 TEL. 04 6223414 FAX. 04 6221470
		35 - JED 5 - I TEL. 04 3321747 FAX. 01 3321743
		36 - AMLAJ 244 TEL. 04 3822324 FAX. 04 3822328
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		133 - AL-AMARAH ST. 194 TEL. 04 4221864 FAX. 04 4228760
		134 - AL-AMARAH ST. 194 TEL. 04 4221864 FAX. 04 4228760
		135 - AL-AMARAH ST. 194 TEL. 04 4221864 FAX. 04 422876

REGIONAL OFFICE FOR WESTERN REGION

MANAGEMENT

NO. 002 Fax. 6441000 CENTRAL 6441000

REGIONAL OFFICE FOR GASEEM & HAIL AREA

MANAGEMENT

NO. 005 Fax. ACCOUNTING - 3249794
 RATES 3249794 CENTRAL 3246648 -
 3249151

1 - QOBEL STREET 102

TEL. 02 6476196
FAX. 02 6420334

2 - MECCA ROAD KILO 2/

JEDDAH 113
TEL. 02 6314494
FAX. 02 6316514

3 - BAB SHARIF/ JEDDAH

123
TEL. 02 6474869
FAX. 02 6474989

4 - BAB MECCA/JEDDAH 124

TEL. 02 6433049
FAX. 02 6447798

5 - AL-SHARAFIYAH 156

TEL. 02 6532916
FAX. 02 6533168

6 - KING ABDUL AZIZ ST.

JEDDAH 161
TEL. 02 6447674
FAX. 02 6434021

7 - AL-MAHJAR ROAD/

JEDDAH 163
TEL. 02 6372067
FAX. 02 6367991

8 - UNIVERSITY ROAD 176

TEL. 02 6895946
FAX. 02 6895938

9 - BANI MALIK 180

TEL. 02 6713280
FAX. 02 6718817

10 - AL-SABEEL ST. 186

TEL. 02 6479866
FAX. 02 6481745

11 - BIN LADIN ST. 189

TEL. 02 6800014
FAX. 02 6800300

12 - KING FAHAD ST.

"WOMEN BRANCH" 181
TEL. 02 6711024
FAX. 02 6711024

13 - AL-RUWESS 206

TEL. 02 6518276
FAX. 02 6515572

14 - AL-ESKAN AL-JANOBI

ST. 222
TEL. 02 6373159
FAX. 02 6361004

15 - MEDINA ROAD 223

TEL. 02 6655822
FAX. 02 6650791

16 - ENAIKSH 235

TEL. 02 6717067
FAX. 02 6717067

17 - AL-HINDAWIYAH 240

TEL. 02 6474175
FAX. 02 6477314

18 - AL-BIGDADIYAH 243

TEL. 02 6424257
FAX. 02 6422186

19 - KING ABDUL AZIZ

AIRPORT 289
TEL. 02 7496030
FAX. 02 7463120

20 - HAI AL-SALAMAH/

JEDDAH 314
TEL. 02 6833554
FAX. 02 6833554

21 - MIDAN FALASTEEN/

JEDDAH 319
TEL. 02 6852047
FAX. 02 6851075

22 - AL-MAKARONA ST. 320

326
TEL. 02 6720342
FAX. 02 6720731

23 - BAHRAT

AL-MUJAHIDEEN 322
TEL. 02 5911445
FAX. 02 5911445

24 - QASHASHIYA/

MECCA 103
TEL. 02 5745696
FAX. 02 5721391

25 - AL-HUJOUN/MECCA

141 TEL. 02 4221996
TEL. 02 5742295
FAX. 02 5733533

26 - AL-AZIZIYAH/MECCA

201
TEL. 02 5581172
FAX. 02 5581156

27 - AL-OTAIBIYAH/

MECCA 228
TEL. 02 5440309
FAX. 02 5440224

28 - AL-SITTEEN ST./

MECCA 246
TEL. 02 5447253
FAX. 02 5447314

29 - AL-SHUBAIKA/MECCA

262
TEL. 02 5724023
FAX. 02 5745068

30 - AL-MESFALAH/

MECCA 330
TEL. 02 5345690
FAX. 02 5348342

31 - AZIZIYAH/TAIF

112
TEL. 02 7366266
FAX. 02 7333340

32 - AL-SHUHADA/ TAIF 199

TEL. 02 7496030
FAX. 02 7463120

33 - AL-FAISALIYAH/ TAIF

232
TEL. 02 7382960
FAX. 02 7325326

34 - MADRASAT

AL-SEYANAH/ TAIF 266
TEL. 02 7365964
FAX. 02 7365984

35 - HAWIYAH ROAD/ TAIF

326
TEL. 02 7253307
FAX. 02 7254555

36 - TAIF "WOMEN

BRANCH" 328
TEL. 02 7334907
FAX. 02 7362505

37 - RANYAH 181

103
TEL. 02 8321036
FAX. 02 8421210

38 - RABIG 247

TEL. 02 8321653
FAX. 02 8321263

39 - AL-KHURMA 254

TEL. 02 8321260
FAX. 02 7321260

40 - AL-GUNFUZA 263

TEL. 02 7321264
FAX. 02 8221808

41 - AL-TURBAH 284

TEL. 02 8221808
FAX. 02 8221808

42 - AL-LAYTH 270

TEL. 02 7421209
FAX. 02 7421217

43 - AL-KAMIL 323

TEL. 02 5940367
FAX. 02 5941103

44 - AL-JAMOUM/ WADI

FATMA 324
TEL. 02 5940367
FAX. 02 5941103

45 - AL-RASS 122

TEL. 02 3330033
FAX. 02 3333584

46 - HAZM/AL-RASS 280

TEL. 02 3335381
FAX. 02 3332960

47 - AL-SAJER 196

TEL. 02 3642924
FAX. 02 3646294

48 - ONAIZAH 271

TEL. 02 364037
FAX. 02 3643537

49 - AL-JUHAIMIYAH 234

TEL. 02 3646077
FAX. 02 3647510

50 - WOMEN BRANCH

ONAIZAH 271
TEL. 02 3648294
FAX. 02 3648294

51 - AL-HAIL 118

TEL. 02 5321138
FAX. 02 5321793

52 - BARZAN/HAIL 258

TEL. 02 5322955
FAX. 02 5322873

53 - AL-KHABRA 265

TEL. 02 3550491
FAX. 02 3550358

54 - AL-ASEEYAH 238

TEL. 02 3450360
FAX. 02 3450370

55 - AL-KHABRA 265

TEL. 02 3550491
FAX. 02 3550358

56 - AL-SHAMASIYAH 287

TEL. 02 3401501
FAX. 02 3401301

57 - AYON AL-JAWA 288

TEL. 02 3911575
FAX. 02 3911786

1 - AL-KHABRA 108

TEL. 02 3321180
FAX. 02 3243617

2 - AL-JARDAH 182

TEL. 02 3235828
FAX. 02 3243171

3 - AL-SAFRA 192

TEL. 02 3230498
FAX. 02 3234207

4 - AL-SADAH 212

TEL. 02 3241478
FAX. 02 3231098

5 - AL-SANAAB/BURAIDAH

252
TEL. 02 3242020
FAX. 02 3242016

6 - AL-MAARIDH 275

TEL. 02 3237411
FAX. 02 3238836

7 - WOMEN BRANCH/

BURAIDAH 298
TEL. 02 3230801
FAX. 02 3248753

8 - ONAIZAH 120

TEL. 02 3641037
FAX. 02 3643537

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FAX. 02 3450370

19 - AL-SAJER 196

TEL. 02 3642924
FAX. 02 3646294

20 - AL-MUZNIB 151

TEL. 02 3420160
FAX. 02 3420079

21 - HOTAT SUDAIR 180

TEL. 02 4431080
FAX. 02 4431027

22 - AL-BADAYE 167

TEL. 02 3320780
FAX. 02 3320073

23 - RIYADH AL-KHUBRA

175
TEL. 02 3340404
FAX. 02 3340445

24 - SAJER 196

TEL. 02 6321810
FAX. 02 6321913

25 - AL GHAT 214

TEL. 02 4421455
FAX. 02 4421117

26 - AL-ASEEYAH 238

TEL. 02 3450360
FAX. 02 3450370

30 - BAGAA 290

TEL. 02 5270297
FAX. 02 5270297

31 - UGLAT AL-SAGOUR 291

TEL. 02 2430482
FAX. 02 2430509

32 - AL-RAFAYE 310

TEL. 02 6340410
FAX. 02 6340410

33 - DARIYAH 312

TEL. 02 3649549
FAX. 02 3649549

34 - AL-BIGADIYAH 325

TEL. 02 6340507
FAX. 02 6340998





CONTENTS

• Board of Directors	5
• Board of Directors Report	6
• Conclusion	15
• Statement of Financial Position	16
• Statements of Income and Retained Earnings	17
• Notes to the Financial Statements	18
• Auditors' Report	24



BOARD OF DIRECTORS

Sheikh/Saleh Ibn Abdul-Aziz Al-Rajhi
CHAIRMAN

Sheikh/Sulaiman Ibn Abdul-Aziz Al-Rajhi
GENERAL MANAGER AND MANAGING DIRECTOR

MEMBERS

Sheikh//Abdulrahman Ibn Abdul-Aziz Al-Rajhi
Sheikh/Ismail Al-Sulaiman Abul Qasim
Sheikh//Abdul Wahab Mohamed/Salem Sheikh
Sheikh/Sulaiman Al-Mohamed Al-Basheed
Dr//Abdullah bin Naser Bin Mohamed Al-Wenabi
Engineer//Salah Al-Abedullah Abu Al-Khalil
Sheikh//Mohamed Bin Abdul-Aziz Al-Rajhi
Sheikh//Ali Bin Mohamed Bin Abdullah Al-Rajhi
Sheikh//Abdul Rahman Bin Abdullah Bin Oqail
Ustaz//Mohamed bin Abdullah Bin Abdul-Aziz Al-
Rajhi
Ustaz//Saleh Bin Sulaiman Bin Abdul-Aziz Al-Rajhi
Ustaz//Sulaiman Bin Salem bin Abul-Aziz Al-Rajhi
Sheikh//Mohamed Bin Osman Bin Ahmed Ali Bishr
Ustaz//Naser Bin Mohamed Al-Sabary

EXECUTIVE COMMITTEE

Sheikh/Sulaiman Ibn Abdul-Aziz Al-Rajhi
Engineer//Salah Al-Abedullah Abu Al-Khalil
Sheikh//Abdul Rahman Bin Abdullah Bin Oqail

CERTIFIED PUBLIC ACCOUNTANTS

A/PASHID

WHINNEY MURRAY & CO.

BOARD OF DIRECTORS' REPORT

TO THE SHAREHOLDERS OF AL RAJHI BANKING AND INVESTMENT CORPORATION

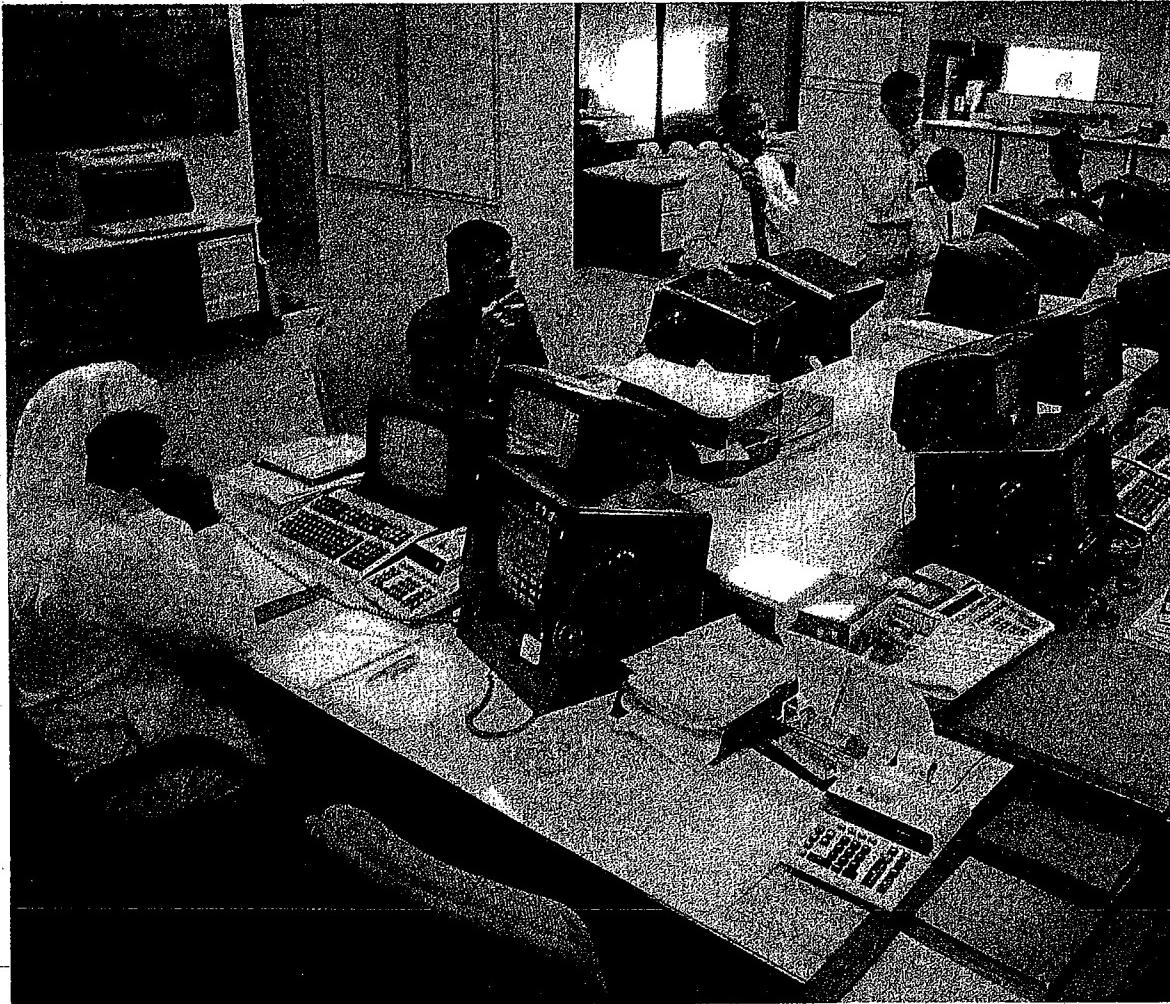
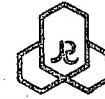
Dear Brothers,

The board of directors is pleased to provide you with its First Annual Report on the Corporation's activities and its financial statements for the fiscal period which commenced on 1.8.1408H corresponding to 19 March 1988 and ended on 31 December 1988. This period is nine months and 13 days. The Corporation started to perform its banking and investment activities after the issuance of Royal Decree No. M/59 dated 3.11.1407H, the resolution of the Council of Ministers No. 245 dated 26.10.1407H to license the formation of the Corporation, the resolution of the Ministry of Finance and National Economy No. 3/1698 dated 6.7.1408H to license the Corporation and the resolution of His Excellency the Minister of Commerce No. 319 dated 5.4.1409H to announce the formation of the Corporation.

The Corporation has now become one of the Saudi banking family to perform its hopeful task in developing and investing its resources to support the development of our beloved Kingdom guided by the beliefs and principles of this peaceful country.

It is clear enough dear brothers, the shareholders, that the replacement of Al-Rajhi Company for Currency Exchange and Commerce by Al-Rajhi Banking and Investment Corporation has taken considerable efforts and time. Conversion of a Corporation of that vast size, with its extended relationships with its correspondents and with its local and international status has required enormous efforts. On this occasion, the board expresses its deep gratitude to the members of the valuation committee, the auditors - Abdul Aziz Al Rashed office and Whinney Murray & Co. office-who have made distinguished efforts of patience and sacrifices of time and effort. If such patience and efforts had not been made, the transfer could have never been completed in such a relatively short time. May Allah reward them. Thanks are also expressed to the finance department of Al-Rajhi Banking and Investment Corporation headed by the First Deputy General Manager and his Assistant, Mohammed Alawi Theban, who have continued work during holidays and week ends to respond to the requirements of the valuation committee and the auditors. As a matter of fact, if such efforts had been made by a specialized body, as is the case in some such circumstances, the Corporation would have incurred tens of millions of Riyals and the time spent would have been much more.

The board also expresses thanks and appreciation to the brothers Saleh, Abdullah, Sulaiman and Mohammed Abdul Aziz Al-Rajhi, the partners of Al-Rajhi Company for Currency Exchange and Commerce for their efforts in the banking business, the result of which was the formation of this blessed Corporation.



FINANCIAL RESULTS :

BALANCE SHEET TOTAL :

The balance sheet total for the Corporation as a whole including contra accounts amounted to SR 31,963.4 millions at 31 December 1988.

Total assets amounted to SR 15,045.9 millions. The totals of cash in hand, deposits with SAMA, due from banks and precious metals amounted to SR 2,319.1 millions at 31 December 1988.

INVESTMENTS IN MURABAHA :

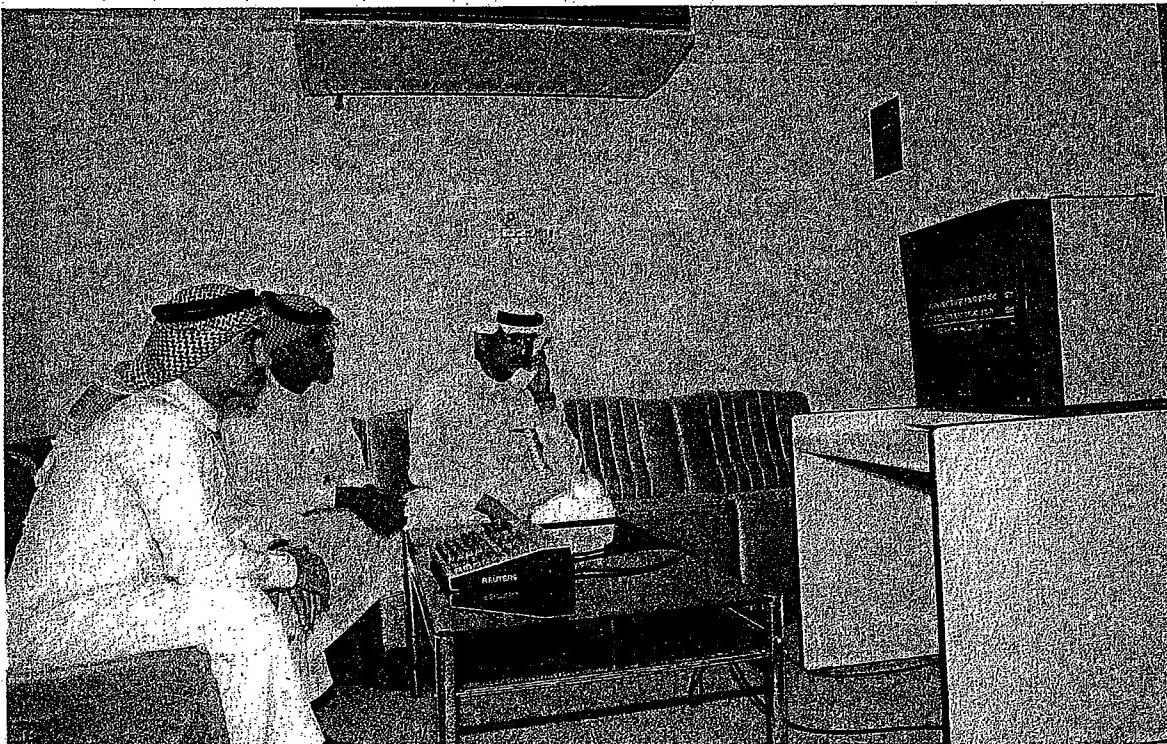
The Corporation has continued making arrangements with highly reputable international institutions that have strong financial positions to enter into Murabaha contracts. When negotiating, the Corporation is careful to act as an intermediary merchant which buys goods or merchandize from an independent supplier, settle its value immediately and then sells them to a third party on a deferred settlement basis which is compatible with normal trading practices taking into account the Corporation's articles of association. The total invested funds in Al Murabaha operations in the Kingdom and abroad amounted to SR 11,757.2 millions at 31 December 1988.

CUSTOMERS' CREDIT CURRENT ACCOUNTS :

The total customers' credit current accounts amounted to SR 11,823.8 millions.

MUDARABA FUNDS :

The Corporation carries out Mudaraba operations on behalf of customers. This appears in the contra accounts. The Corporation earns fees against such operations. The balances amounted to SR 726.2 millions at 31 December 1988.



**REVENUES, EXPENSES, LOSSES, PROFITS AND
RESOLUTION OF DISTRIBUTION :**

Total revenues of the Corporation for the fiscal period from 19 March 1988 to 31 December 1988 i.e. nine months and 13 days, amounted to SR 859.8 millions. Total expenses amounted to SR 271.5 millions. Net profit amounted to SR 588.2 millions. The board has decided to distribute a sum of SR 112.5 millions to the shareholders which amounts to SR 15 per share i.e. with an annual percentage of 19%.

The following schedule shows the distribution of net profits :

1) General Reserve	SR 250.00 millions
2) Statutory Reserve	SR 147.00 millions
3) Proposed dividends	SR 112.50 millions
4) Retained earnings	SR 78.70 millions



MAN POWER :

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₹ 726.2

The management of the Corporation makes its best efforts to develop human resources. Amongst other things, the success and development of the banking business depends upon the development, improvement and interaction of the human factor which is one of the means by which the management of the Corporation hopes to achieve success through selection of individuals, with distinguished skills and capabilities, who can cope with the developments, changes, improvements and expansion of modern banking services.

of efficient Saudi youth for leading positions. With the help of Allah and the efforts made, we can proudly say that the Saudi youth are holding leading decision making positions in the Corporation.

**Total Number of Employees
1986 — 1988**

Year	1986	1987	1988
Number of Employees	3525	3968	3905

The Corporation has availed opportunities to the sons of this beloved Kingdom to be employed in all departments. It also gives priority to the appointment



1 of net
millions
millions
millions
millions

TRAINING :

The management of the Corporation gives special consideration to training staff after they take up employment. The Corporation has a main training centre in Riyadh and other training centres in Jeddah and Dammam which have been specially established for this purpose. These centres conduct courses which suit all grades of staff, according to each one's level. Teaching of the English language is also conducted

in these centres. These are in addition to deputation of some Saudi employees to participate in training courses conducted by the Institute of Public Administration and the Saudi Arabian Monetary Agency's bank Training Institute which conducts several specialized courses in the banking field.

